



Public hearing on Solvency II, ECON Session

Quantitative and risk management

Groupe Consultatif Actuariel Européen
European Actuarial Consultative Group

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- Represents actuarial profession across Europe since 1978
- Actively involved in Solvency II debate
- Technical advisors to European Commission / CEIOPS
- Independent organisation delivering objective advice following the highest standards of governance
- Mutual Recognition Agreement enabling actuaries to work across Europe
- Bringing together 16,000 European actuaries

Overall comments on the Framework Directive



- Welcome the principles set out in the Proposal for Directive
- Support the move towards an economic basis with a forward looking risk sensitive solvency regime
- Welcome principle based approach
- Framework needs to be designed and implemented on a consistent basis to ensure comparability between companies and countries
- Risk science and quantification is dynamic that's why Solvency II is the beginning, not the end



- 1. Market consistent valuation basis (S-II balance-sheet)
 - Opportunity for consistent measurement in solvency and general reporting
 - Valuation basis of key importance
 - To maintain close link to IFRS Phase 2
 - Harmonize variety of technical provisions



2. SCR – European Standard Formula

- Welcome forward looking risk-sensitive approach for total balance sheet
- The principles need to be clearly articulated and be transparent regarding the total balance-sheet approach
- Further work is required regarding provisions for future bonuses on participating business



3. Internal model

- Welcome the opportunity to use internal models for calculating the SCR
- Incentive for better management of risks and risk control
- Support use test requirement
- Challenges are there and it is important that all involved do not underestimate the task
- Solvency II pushes for a link between economic capital and regulatory capital



4. ORSA / Solvency & Financial Condition Reporting

- Agree with the principles underlying ORSA (key to a well run company)
- To establish link between ORSA and models used
- Groupe Consultatif will take initiatives to propose ORSA reports that can be generally used and implemented in a consistent way



5. Actuarial Function

- Welcome the specification of the system of governance including function requirements
- Important link between the duties of the Actuarial and Risk Management Functions to ensure successful implementation
- Support requirements of professional competence and experience

- Welcome the principles set out in the Proposal for Directive
- We believe the introduction of economic basis with a forward looking risk sensitive solvency regime must be done and can be done
- As representatives of the European Actuarial Profession we support the initiative, and we have it as our objective and find it our duty to continue to provide independent professional views to the Solvency II debate



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